

DelVal Business Finance Corp.

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High ROI Investment Strategy

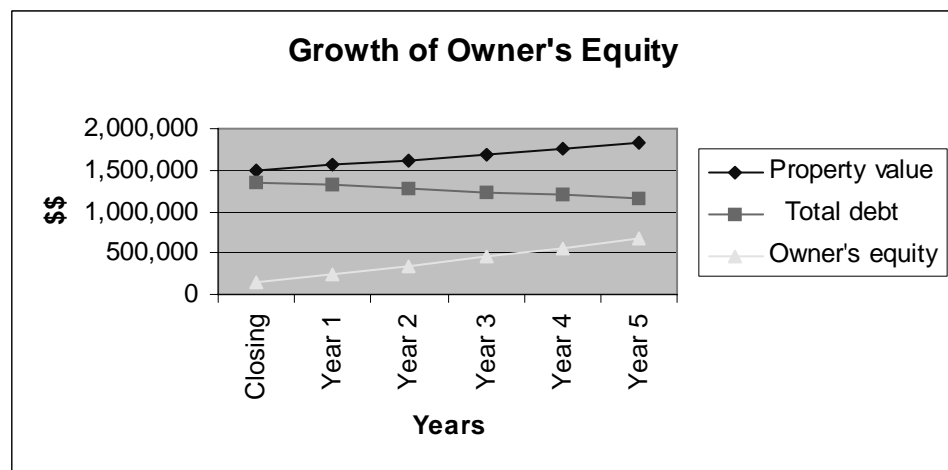
How business owners use SBA 504 loans to earn high Returns on Investment (ROI's) on owner-occupied commercial real estate.

DelVal's loan files demonstrate how business owners can use the SBA 504 loan program to earn high returns on investment (ROI's) from owner-occupied commercial real estate. Business owners increase their personal net worth by owning their business property and having their businesses' rent pay the mortgages.

For example, five years ago, a business obtained 90% financing on a \$1.5 million, owner-occupied, business property in suburban Philadelphia. A bank provided a 50% first mortgage for \$750,000, DelVal arranged a 40% SBA 504 second mortgage for \$600,000, and the owner invested 10% or \$150,000.

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|-------|-------------------|---------------|----------|-------------------------------|----------------|
| Uses: | Purchase property | \$1,200,000 | Sources: | Bank 1 st mortgage | \$ 750,000 |
| | Renovations | 275,000 | | SBA 504 2 nd mtge | 600,000 |
| | Closing costs | <u>25,000</u> | | Owner's investment – 10% | <u>150,000</u> |
| | Total | \$ 1,500,000 | | Total | \$ 1,500,000 |

Property values increased at an estimated 4% per year, and the Bank and SBA 504 mortgage payments were made on schedule. During the next five years, the value of the owner's equity investment increased from \$150,000 to \$670,000 – an annual pre-tax return over 30%/year. The owner's return would be even higher if property values increased at higher annual rates of 5% plus – which is reasonable for the Philadelphia Metro area.



How does this work?

- (1) Purchase good commercial property in a growing area, and
- (2) Obtain 90% financing with a bank first mortgage and a SBA 504 subordinated mortgage.
- (3) Make a 10% equity investment.
- (4) Pay rent for loan payments

SBA 504 subordinated loans are provided by DelVal and interest rates currently are approximately 7% and are fixed for 20 years. For questions, call Michael Schwartz at 215 871 3770 or John Sower at 202 342 2973 They are very experienced, and they provide senior-level, attentive, A-Z service in obtaining SBA 504 loans in amounts up to \$1.5 - \$2 million for the \$1 to \$10 million expansion projects of small and mid-sized businesses. SBA 504 financing can be used for the purchase of land, buildings and equipment – plus renovations or construction and related soft costs.